APPENDIX A

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

No. 94-56774
D.C. No. CV-94-03107-DT

PRACTICE MANAGEMENT INFORMATION CORPORATION,
a California Corporation,
Plaintiff-Appellant,
v.

THE AMERICAN MEDICAL ASSOCIATION,
an Illinois nonprofit corporation,
Defendant-Appellee.

Appeal from the United States District Court
for the Central District of California
Dickran M. Tevrizian, District Judge, Presiding

Argued and Submitted August 7, 1995
Submission Vacated June 18, 1996
Resubmitted September 13, 1996
Pasadena, California

Filed August 6, 1997
Amended January 9, 1998

ORDER AND AMENDED OPINION

Before: James R. Browning, William A. Norris, and Stephen Reinhardt, Circuit Judges.

Opinion by Judge Browning

ORDER

The opinion filed on August 6, 1997, is amended as follows:

(1) The second sentence in the last paragraph of Section III is stricken, and the third sentence is amended to read: "Because the AMA did not lobby HCFA to adopt the CPT, the AMA's First Amendment right to petition the government is not at stake." 121 F.3d 516, 521 (9th Cir. 1997).

(2) The words "on its copyright misuse claim" are added to the last sentence of the opinion. 121 F.3d at 521.

OPINION

BROWNING, Circuit Judge:

Practice Management Information Corporation ("Practice Management") appeals from a partial summary judgment and preliminary injunction forbidding it from publishing a medical procedure code copyrighted by the American Medical Association ("the AMA").[1]

I.

Over thirty years ago, the AMA began the development of a coding system to enable physicians and others to identify particular medical procedures with precision. These efforts culminated in the publication of the Physician's Current Procedural Terminology ("the CPT"), on which the AMA claims a copyright.

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[1] We have jurisdiction under 28 U.S.C. § 1292(a)(1). *See MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511, 516 (9th Cir. 1993).

The current edition of the CPT identifies more than six thousand medical procedures and provides a five-digit code and brief description for each. The CPT is divided into six sections—evaluation, anesthesia, surgery, radiology, pathology, and medicine. Within each section, procedures are arranged to enable the user to locate the code number readily. In the anesthesia section, procedures are grouped according to the body part receiving the anesthetic; in the surgical section, the procedures are grouped according to the body system, such as the digestive or urinary system, on which surgery is performed. The AMA revises the CPT each year to reflect new developments in medical procedures.

In 1977, Congress instructed the Health Care Financing Administration ("HCFA") to establish a uniform code for identifying physicians' services for use in completing Medicare and Medicaid claim forms. *See* 42 U.S.C. § 1395w-4(c)(5). Rather than creating a new code, HCFA contracted with the AMA to "adopt and use" the CPT. Agreement ¶ 1. The AMA gave HCFA a "nonexclusive, royalty free, and irrevocable license to use, copy, publish and distribute" the CPT. *Id.* ¶ 3(a). In exchange, HCFA agreed "not to use any other system of procedure nomenclature . . . for reporting physicians' services" and to require use of the CPT in programs administered by HCFA, by its agents, and by other agencies whenever possible. *Id.* ¶¶ 1, 2.[2]

HCFA published notices in the Federal Register incorporating the CPT in HCFA's Common Procedure Coding System, *see* 48 Fed. Reg. 16750, 16753 (1983); 50 Fed. Reg. 40895, 40897 (1985), and adopted regulations requiring applicants for Medicaid reimbursement to use the CPT. *See* 42 C.F.R. § 433.112(b)(2) (requiring compliance with Part 11 of the *State Medicaid Manual*,

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[2] HCFA had the right to cancel the agreement and use a competing coding system at any time and without penalty on ninety days notice. Agreement ¶ 10.

which requires states receiving federal funding for Medicaid to adopt the Administration's Common Procedure Coding System as the exclusive medical procedure coding system).[3]

Practice Management, a publisher and distributor of medical books, purchases copies of the CPT from the AMA for resale. After failing to obtain the volume discount it requested, Practice Management filed this lawsuit seeking a declaratory judgment that the AMA's copyright in the CPT was invalid for two reasons: (1) the CPT became uncopyrightable law when HCFA adopted the regulation mandating use of CPT code numbers in applications for Medicaid reimbursement, and (2) the AMA misused its copyright by entering into the agreement that HCFA would require use of the CPT to the exclusion of any other code. The district court granted partial summary judgment for the AMA and preliminarily enjoined Practice Management from publishing the CPT. Practice Management appeals.

II.

Practice Management's argument that the CPT became law and entered the public domain when HCFA by regulation required its use rests ultimately upon *Banks v. Manchester*, 128 U.S. 244 (1888), which held that judicial opinions are uncopyrightable. *Banks* in turn rests upon two grounds, neither of which would justify invalidation of the AMA's copyright.

The first ground for the *Banks* holding that judicial opinions are not subject to copyright is that the public owns the opinions because it pays the judges' salaries. *Id.* at 253. The second is that as a matter of public policy,

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[3] Other federal agencies require physicians to use the CPT. *See, e.g.*, 20 C.F.R. § 10.411(c) (stating that physicians seeking compensation under the Federal Employees' Compensation Act must identify their services using CPT codes). The state of California has incorporated the CPT into its Code of Regulations. *See* Cal. Code Regs. tit. 22, § 51050.

"the whole work done by the judges constitutes the authentic exposition and interpretation of the law, which, binding every citizen, is free for publication to all . . . ." *Id.*

The first ground is clearly not applicable to the CPT. The copyright system was not significant in *Banks* because judges had no proprietary interest in their opinions. The copyright system is of central importance in this case because the AMA authored, owns, and maintains the CPT and claims a copyright in it.

The copyright system's goal of promoting the arts and sciences by granting temporary monopolies to copyright-holders was not at stake in *Banks* because judges' salaries provided adequate incentive to write opinions. In contrast, copyrightability of the CPT provides the economic incentive for the AMA to produce and maintain the CPT. "To vitiate copyright, in such circumstances, could, without adequate justification, prove destructive of the copyright interest, in encouraging creativity," a matter of particular significance in this context because of "the increasing trend toward state and federal adoptions of model codes." 1 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 5.06[C], at 5-92 (1996).[4] As the AMA points out, invalidating its copyright on the ground that the CPT entered the public domain when HCFA required its use would expose copyrights on a wide range of privately authored model codes, standards, and reference works to invalidation.[5] Non-profit organizations that de-

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[4] *See also Building Officials & Code Admin. v. Code Tech., Inc.*, 628 F.2d 730, 736 (1st Cir. 1980) (recognizing "a possible trend towards state and federal adoption, either by means of incorporation by reference or otherwise, of model codes"); 58 Fed. Reg. 57643, 57644-45 (1993) (Office of Management and Budget directed federal agencies to adopt private standards "whenever practicable" in order to "eliminate[] the costs to the Government of developing its own standards").

[5] *See, e.g.*, 32 C.F.R. § 199.13(c)(2) (limiting payment of dental benefits to procedures defined in the Current Dental Terminology);

velop these model codes and standards warn they will be unable to continue to do so if the codes and standards enter the public domain when adopted by a public agency.[6]

The second consideration underlying *Banks*—the due process requirement of free access to the law—may be relevant but does not justify termination of the AMA's copyright. There is no evidence that anyone wishing to use the CPT has any difficulty obtaining access to it. *See Texas v. West Publ'g Co.*, 882 F.2d 171, 177 (5th Cir. 1989). Practice Management is not a potential user denied access to the CPT, but a putative copier wishing to share in the AMA's statutory monopoly. Practice Management does not assert the AMA has restricted access to users or intends to do so in the future.

The AMA's right under the Copyright Act to limit or forgo publication of the CPT poses no realistic threat to public access. The AMA has no incentive to limit or forgo publication. If the AMA were to do so, HCFA

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32 C.F.R. § 199.2 (conditioning payment of civilian medical benefits for mental disorders on showing the patient has a disorder listed in the *Diagnostic & Statistical Manual of Mental Disorders (DSM III)*); 16 C.F.R. § 1505.5(c)(5) (requiring electrically operated toys to have a type SP-2 electrical power cord, as defined in the National Electrical Code authored by the National Fire Protection Association); 16 C.F.R. § 1201.7 (requiring architectural glazing materials to conform to standards published by the American National Standards Institute); 7 C.F.R. § 1755.870(a)(8) (incorporating by reference Underwriters Laboratories Inc.'s Standard Test for Flame Propagation Height of Electrical and Optical-Fiber Cables Installed Vertically in Shafts); 11th Cir. R. 28-2(j) (requiring attorneys to conform their citations to *The Bluebook: A Uniform System of Citation*).

[6] Amicus briefs have been filed by the American Dental Association, American National Standards Institute, American Society of Association Executives, American Society of Heating, Refrigerating & Air-Conditioning Engineers, American Society of Mechanical Engineers, American Society for Testing and Materials, National Fire Protection Association, and Underwriters Laboratories Inc.

would no doubt exercise its right to terminate its agreement with the AMA.[7] Other remedies would also be available, including "fair use" and due process defenses for infringers, *see* 1 Nimmer & Nimmer, *supra*, § 5.06[C], at 5-92, and, perhaps most relevant, mandatory licensing at a reasonable royalty could be required in light of the great public injury that would result if adequate access to the CPT were denied. *See Abend v. MCA, Inc.*, 863 F.2d 1465, 1479 (9th Cir. 1988); *Universal City Studios, Inc. v. Sony Corp. of America*, 659 F.2d 963, 976 (9th Cir. 1982), *rev'd on other grounds*, 464 U.S. 417 (1984).

The Supreme Court has not considered a case in which the author asserted a proprietary interest in material adopted by the government as law. However, the First and Second Circuits have declined to enjoin enforcement of private copyrights in these circumstances.

In *Building Officials & Code Admin. v. Code Technology, Inc.*, 628 F.2d 730 (1st Cir. 1980), the district court preliminarily enjoined Code Technology, Inc. from copying a building code copyrighted by Building Officials & Code Administration ("BOCA"), a private, non-profit group, and adopted by the State. The First Circuit reversed. It recognized the problem posed by *Banks*, but nonetheless refrained from holding BOCA's copyright invalid:

> Groups such as BOCA serve an important public function; arguably they do a better job than could the state alone in seeing that complex yet essential regulations are drafted, kept up to date and made available. Since the rule denying copyright protec-

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[7] Alternatively, HCFA might by regulation or contract require the AMA to provide greater access. *See* H.R. Rep. No. 94-1476, at 59, *reprinted in* 1976 U.S.C.C.A.N. 5659, 5672; Marvin J. Nodiff, *Copyrightability of Works of the Federal and State Governments Under the 1976 Act*, 29 St. Louis L.J. 91, 104 (1984).

> tion to judicial opinions and statutes grew out of a much different set of circumstances than do these technical regulatory codes, we think BOCA should at least be allowed to argue its position fully on the basis of an evidentiary record, into which testimony and materials shedding light on the policy issues discussed herein may be placed.

Id. at 74.

In *CCC Info. Servs., Inc. v. Maclean Hunter Mkt. Reports, Inc.*, 44 F.3d 61 (2d Cir. 1994), the Second Circuit declined to invalidate the copyright on a privately prepared listing of automobile values that several states required insurance companies to use in calculating insurance awards:

> We are not prepared to hold that a state's reference to a copyrighted work as a legal standard for valuation results in loss of the copyright. While there are indeed policy considerations that support CCC's argument, they are opposed by countervailing considerations. For example, a rule that the adoption of such a reference by a state legislature or administrative body deprived the copyright owner of its property would raise very substantial problems under the Takings Clause of the Constitution. We note also that for generations, state education systems have assigned books under copyright to comply with a mandatory school curriculum. It scarcely extends CCC's argument to require that all such assigned books lose their copyright—as one cannot comply with the legal requirements without using the copyrighted works. Yet we think it unlikely courts would reach this conclusion. Although there is scant authority of CCC's argument, Nimmer's treatise opposes such a suggestion as antithetical to the interests sought to be advanced by the Copyright Act.

Id. at 736.

For the reasons we have stated earlier, as well as those relied upon by the First and Second Circuits, we affirm the district court's conclusion that the AMA's copyright in the CPT should be enforced.[8]

III.

Practice Management argues that the AMA misused its copyright by negotiating a contract in which HCFA agreed to use the CPT exclusively. *See Lasercomb America, Inc. v. Reynolds*, 911 F.2d 970, 977-79 (4th Cir. 1990) (defense of copyright misuse "forbids the use of the copyright to secure an exclusive right or limited monopoly not granted by the Copyright Office"); *see also DSC Communications Corp. v. DGI Techs., Inc.*, 81 F.3d 597, 601 (5th Cir. 1996) (same).[9] We have implied in prior decisions that misuse is a defense to copyright infringement. *See Triad Sys. Corp. v. Southeastern Express Co.*, 64 F.3d 1330, 1337 (9th Cir. 1995); *Supermarket of Homes, Inc. v. San Fernando Valley Bd. of Realtors*, 786 F.2d 1400, 1408 (9th Cir. 1986). We now adopt that rule.

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[8] Practice Management argues that the CPT is an uncopyrightable industry standard or "idea" under section 102(b) of the Copyright Act, the merger doctrine, and *Sega Enters. Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1523-24 (9th Cir. 1993) because HCFA mandates use of CPT codes in Medicaid applications. This court has not allowed the owners of copyrights in expressions mandated by industry standards to use their copyrights to stifle independent creative expression in the industry. *Sega*, 977 F.2d at 1523-24. However, the AMA's copyright does not stifle independent creative expression in the medical coding industry. It does not prevent Practice Management or the AMA's competitors from developing comparative or better coding systems and lobbying the federal government and private actors to adopt them. It simply prevents wholesale copying of an existing system.

Practice Management did not appeal the district court's finding that the CPT was sufficiently original to qualify for copyright protection, and we do not review that question.

[9] Copyright misuse does not invalidate a copyright, but precludes its enforcement during the period of misuse. *See Lasercomb*, 911 F.2d at 979 n.22.

On the undisputed facts in the record before us, we conclude the AMA misused its copyright by licensing the CPT to HCFA in exchange for HCFA's agreement not to use a competing coding system. The AMA argues it did not insist HCFA use only the CPT; rather, HCFA decided to use a single code to take advantage of natural efficiencies. However, the plain language of the AMA's licensing agreement requires HCFA to use the AMA's copyrighted coding system and prohibits HCFA from using any other. The exclusivity requirement is a part of the consideration in exchange for which the AMA agreed to grant HCFA a "non-exclusive, royalty free, and irrevocable license to use, copy, publish and distribute" the CPT. Although HCFA apparently had nothing to gain from inclusion of the exclusivity provision, which side urged its inclusion is of no consequence. *Cf. Anchor Serum Co. v. Federal Trade Comm.*, 217 F.2d 867, 870 (7th Cir. 1954) (rejecting argument that exclusive dealing contract did not violate section 3 of the Clayton Act because buyer initiated negotiations and seller did not impose the contract terms on buyer). The controlling fact is that HCFA is prohibited from using any other coding system by virtue of the binding commitment it made to the AMA to use the AMA's copyrighted material exclusively. The absence of the agreement would not preclude HCFA from doing what the AMA suggests would be proper—deciding on its own to use only the AMA's system. What offends the copyright misuse doctrine is not HCFA's decision to use the AMA's coding system exclusively, but the limitation imposed by the AMA licensing agreement on HCFA's rights to decide whether or not to use other forms as well. Conditioning the license on HCFA's promise not to use competitors' products constituted a misuse of the copyright by the AMA.

The adverse effects of the licensing agreement are apparent. The terms under which the AMA agreed to license use of the CPT to HCFA gave the AMA a substantial and unfair advantage over its competitors. By

agreeing to license the CPT in this manner, the AMA used its copyright "in a manner violative of the public policy embodied in the grant of a copyright." *Lasercomb*, 911 F.2d at 977.

The AMA argues the copyright misuse defense fails because Practice Management did not establish an antitrust violation. We agree with the Fourth Circuit that a defendant in a copyright infringement suit need not prove an antitrust violation to prevail on a copyright misuse defense. *See Lasercomb*, 911 F.2d at 978.

We also reject the AMA's argument that the *Noerr-Pennington* doctrine immunized its actions. Because the AMA did not lobby HCFA to adopt the CPT, the AMA's First Amendment right to petition the government is not at stake.

IV.

We affirm the district court's ruling that the AMA did not lose its copyright when use of the CPT was required by government regulations, but reverse the ruling with respect to copyright misuse. We hold that Practice Management established its misuse defense as a matter of law, vacate the preliminary injunction, and remand for entry of judgment in favor of Practice Management on its copyright misuse claim.

AFFIRMED IN PART, REVERSED IN PART, VACATED, AND REMANDED.

APPENDIX B

[Filed Dec. 8, 1994]

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

Case No. CV-94-3107 DT (GHKx)

PRACTICE MANAGEMENT INFORMATION CORPORATION,
a California corporation,
Plaintiff-Counterdefendant,

vs.

AMERICAN MEDICAL ASSOCIATION,
an Illinois nonprofit corporation,
Defendants-Counterplaintiff.

ORDER GRANTING DEFENDANT AMERICAN MEDICAL ASSOCIATION'S MOTION FOR PARTIAL SUMMARY JUDGMENT AND DENYING PLAINTIFF PRACTICE MANAGEMENT INFORMATION CORPORATION'S CROSS-MOTION FOR SUMMARY JUDGMENT PURSUANT TO FEDERAL RULE OF CIVIL PROCEDURE 56(c).

Background

1. *Summary of Facts.*

This action arises under the Declaratory Judgment Act, 28 U.S.C. § 2201. Plaintiff Practice Management Infor-

mation Corporation ("PMIC") seeks a declaration that certain copyrights for the book entitled *Physicians' Current Procedural Terminology* ("CPT") of defendant American Medical Association ("AMA") are invalid and unenforceable because the federal government has required physicians to use the numerical codes contained in the CPT when describing medical procedures in requests for government reimbursement.

The following facts are undisputed. PMIC is a publisher of medical books. Defendant American Medical Association ("AMA") is a non-profit corporation and its business includes publishing, licensing for publication, and selling books used by medical professionals.

Since 1966, the AMA has published the CPT, a reference book which describes medical services performed by physicians and assigns a specific numerical code to each service. Declaration of Barry S. Eisenberg, ¶ 4 (Filed in support of Defendant's Opposition to Plaintiff's Motion for Preliminary Injunction) ("Eisenberg Decl."); *see also* CPT, attached as Exhibit 1 to the Declaration of James Davis filed in support of PMIC's Motion for Preliminary Injunction ("CPT" or "Exh. 1"). The CPT contains a list of thousands of five-digit code numbers and two-digit modifiers, each followed by a description of particular medical procedures. *See* CPT; U.S. Dept. of Health and Human Services, Office of Inspector General, Coding of Physician Services A-1 to A-2 (May 1994) ("HHS Report") at p. 1 and attached to the Eisenberg Decl. as Exhibit "C" (which was attached to the AMA's Opposition to PMIC's Motion for Preliminary Injunction). The code numbers and their accompanying descriptions are listed in numerical order, except that the frequently used code numbers beginning with the digits "99" are listed first. *See* CPT.

The CPT is used by physicians to obtain reimbursement for their medical services from the federal government, state governments and from private insurers. Eisenberg Decl., ¶¶ 6, 14. The physician finds the most accurate

description for the services he or she has performed, locates the corresponding CPT code number and writes the number on the appropriate reimbursement forms. In addiiton, the CPT also contains guidelines and definitions which instruct medical professionals how to use the CPT. The guidelines appear at the beginning of each section and are essential for selecting the correct CPT code number. *See* CPT, at p. xii.

The AMA updates the CPT every year, revising the code numbers, descriptions, definitions, and guidelines. The AMA publishes and distributes the revised edition of the CPT in the fall of each year. The 1995 CPT was scheduled for release in October 1994.

The Health Care Financing Administration ("HCFA") is an agency of the United States Department of Health and Human Services ("HHS"). The HCFA is responsible for administrating the financial reimbursement of hospitals, physicians, and other health-care professionals for medical services performed under the federally funded Medicare and Medicaid programs. 42 Fed. Reg. 13262 (March 9, 1977). HCFA is specifically charged with developing a uniform coding system for medical procedures to be used for reimbursement in all HCFA-administered programs. 42 U.S.C. § 1395w-4(c)(5). This system is commonly known as the HCFA Common Procedure Coding System or "HCPCS".

On February 1, 1983, HCFA entered into a licensing agreement with the AMA in which the AMA granted HCFA a royalty-free, nonexclusive license to use the CPT coding system. HHS Report at A-1 to A-2; Agreement, the Department of Health and Human Services, Health Care Financing Administration and American Medical Association, ¶ 3(a) dated February 1, 1983 ("Agreement") and attached as Exhibit "C" to AMA's Answer. HCFA may terminate the Agreement upon ninety days notice. Agreement, ¶ 10.

In exchange for this royalty-free license, HCFA promised to use its regulatory powers as a federal agency to "require the use of CPT-4 . . . in programs administered by HCFA by its agents and other entities participating in those programs." Agreement, ¶ 2(b). HCFA also promised not to use any other system of procedure nomenclature for reporting physicians' services. Agreement, ¶ 1. The Agreement also requires HCFA to include a copyright notice whenever it reprints the CPT. Agreement, ¶ 3(c). The notice is specifically designed to inform the public that only the AMA may reproduce the federally mandated AMA CPT system. Agreement, ¶ 3(c).

HCFA, other federal agencies and the United States Congress have incorporated the CPT into federal law.[1] These statutes and regulations mandate the use of the CPT coding system for obtaining reimbursement from the federal and state governments for medical services. For example, HCFA requires all states which receive federal funding or their Medicaid programs to adopt the CPT as the exclusive coding system to be used by all Medicaid health-care providers. 42 C.F.R. § 433.112(b)(2); *State Medicaid Manual,* Part 11, Section 11300 (App. K); *Medicaid Management Information Systems Requirements for Physician and Supplier Services,* 50 Fed. Reg. 40895, 40898 (October 7, 1985) (adopting this requirement) (App. C).

The Department of Labor requires all health-care providers treating patients under the Federal Employees' Compensation Act to identify their services using only the CPT coding system. 20 C.F.R. § 10.411; *see also* 51 Fed. Reg. 8280 (March 10, 1986) (adopting this require-

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[1] Section 9343(g) of the Omnibus Budget Reconciliation Act of 1986 requires that all hospitals, "as a condition of payment for outpatient hospital services" under Medicare Part B to use the CPT to report their services. Pub. L. No. 99-509, § 9343(g), 100 Stat. 2040 (reprinted as a note following 42 U.S.C.S. § 1395(u) (App. E).

ment) (App. D). Similarly, Section 9343(g) of the Omnibus Budget Reconciliation Act of 1986 requires that all hospitals, "as a condition of payment for outpatient hospital services" under Medicare Part B, to use the CPT to report their services. Pub. L. No. 99-509, § 9343(g), 100 Stat. 2040 (reprinted as a note following 42 U.S.C.S. § 1395(u) (App. E).

HCFA annually publishes a complete list of the CPT code numbers in the *Federal Register*. Each code number is listed in numerical order and is accompanied by an abbreviated description of the medical services which the code number designates, and a table of numbers which are used to calculate the reimbursement that health-care professionals will receive for performing the listed medical services. HCFA also publishes a series of manuals, including the Medicare Intermediary Manual and the State Medicaid Manual, which provide instructions to the institutions that process claims under Medicare and Medicaid. 53 Fed. Reg. 21730 (June 9, 1988). These manuals require the processing institutions to accept reimbursement applications which identify medical services using CPT code numbers.

For the past several years, PMIC has been reselling the CPT as printed by the AMA and currently resells more CPT books than anyone else. However, according to PMIC, the quality of the CPT has been declining annually, and the 1995 CPT published by the AMA will contain many errors and omissions. The AMA announced that it will, for the first time, increase the size of its book from 6″ x 9″ to 8.5″ x 11″. PMIC claims that its customers overwhelmingly prefer the traditional 6″ x 9″ format. This preference has allegedly led PMIC to standardize its entire line of medical coding books in the 6″ x 9″ format. PMIC has indicated it intends to publish its own reference material using the CPT coding system or modified versions of the CPT coding system in the 6″ x 9″ format with its own corrections.

2. *Procedural History.*

PMIC filed its original Complaint on May 12, 1994. PMIC filed a motion for preliminary injunction against the AMA to enjoin the AMA from enforcing any copyrights for the CPT. On July 25, 1994, this Court denied that motion for preliminary injunction on the grounds that the CPT was sufficiently original to entitle it to copyright protection ("July 25 Order"). This Court rejected three of the four arguments presented by PMIC. The only issue left for determination was whether the federal government could destroy a valid copyright for a privately created reference book where the federal government then requires all physicians to use that reference book when participating in a federal program and seeking reimbursements. July 25, 1994 Order, at pp. 12-16.

On August 23, 1994, the parties signed a Stipulated Protective Order in which they agreed that certain evidence pertinent to this case may contain confidential or trade secret information and that such evidence or information would be designated as confidential.

On September 22, 1994 by Stipulation with PMIC, the AMA filed its Answer and Second Amended Counterclaim.

On October 21, 1994, the AMA filed the present Motion for Partial Summary Judgment seeking a judgment that the federal government's requirement that physicians use the CPT coding system when seeking reimbursement for participating in a federal program does not destroy a valid copyright in a privately created reference work. This motion is now before this Court.

On November 7, 1994, PMIC filed its Cross-Motion for Summary Judgment of Copyright Invalidity. This motion is also presently before this Court and is addressed concurrently herein.

On November 14, 1994, AMA filed a Motion for Preliminary Injunction to enjoin PMIC from using any por-

tion of the CPT without the AMA's express written authorization. This motion is presently before this Court and is addressed in a separate order.

On November 15, 1994, PMIC filed its First Supplemental Complaint by Stipulation with the AMA. The First Supplemental Complaint, in addition to the original request for declaratory judgment, also seeks monetary damages for statutory and common law unfair competition, intentional interference with contractual relationships, intentional interference with prospective economic advantage, false representation, specific performance, breach of contract and breach of the covenant of good faith and fair dealing. The First Supplemental Complaint does not affect any of the motions presently before this Court.

Discussion

1. *Standard.*

Under Rule 56(c) of the Federal Rules of Civil Procedure, summary judgment is proper only where "the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." The moving party has the burden of demonstrating the absence of a genuine issue of fact for trial. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 256 (1986). If the moving party satisfies the burden, the party opposing the motion must set forth specific facts showing that there remains a genuine issue for trial. Fed. R. Civ. P. 56(e).

A non-moving party who bears the burden of proof at trial to an element essential to its case must make a showing sufficient to establish a genuine dispute of fact with respect to the existence of that element of the case or be subject to summary judgment. *Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986). Such an issue of fact is a genuine issue if it reasonably can be resolved in favor of either party. *Anderson*, 477 U.S. at 250-51. The non-

movant's burden to demonstrate a genuine issue of material fact increases when the factual context renders her claim implausible. *Matsushita Electric Industrial Co. v. Zenith Radio Corp.*, 475 U.S. 574, 587 (1986). Thus, mere disagreement or the bald assertion that a genuine issue of material fact exists, no longer precludes the use of summary judgment. *Harper v. Wallingford*, 877 F.2d 728 (9th Cir. 1989); *California Building Products, Inc. v. Franciscan Ceramics, Inc.*, 818 F.2d 1466, 1468 (9th Cir. 1987), *cert. denied*, 108 S.Ct. 698 (1988).

2. *The CPT Is Not A "Law".*

The Copyright Act extends copyright protection to original works of authorship. 17 U.S.C. §§ 102(a), 103. This Court has already determined that the CPT "is sufficiently original to entitle it to copyright protection." July 25 Order, at p. 13. The Copyright Act denies copyright protection only for statutes and judicial opinions originally created by the federal government or its officials. 17 U.S.C. §§ 101, 105.

In 1909, Section 7 of the Copyright Act provided a savings clause to allow the government to use copyrighted materials in its publications. H.Rep. 2222, 60th Cong., 2d Sess. 10 (1909). Further, Section 8 of the prior act provided:

> "The publication or republication by the Government, either separately or in the public document, of any material in which copyright is subsisting shall not be taken to cause any abridgement or annulment of the copyright or to authorize any use or appropriation of such copyright material without the consent of the copyright proprietor."

17 U.S.C. § 8 (1909). In 1976, Congress further confirmed that "publication or other use by the Government of a private work would not affect its copyright protection in any way." H.R. Rep. No. 1476, 94th Cong., 2d Sess. 60 (1976) re 17 U.S.C. §§ 101, 105, and reprinted

in 1976 U.S.C.C.A.N. 5659, 5672; M. Nimmer & D. Nimmer, *Nimmer on Copyright*, § 5.06[B][2] 1993; 1 Paul Goldstein, *Copyright*, § 2.5.2.2 (1989).

PMIC contends that the CPT is a "law" because its contents are incorporated by federal and state governments in various statutes and regulations, and it is therefore exempt from copyright protection. This Court disagrees. A ruling in PMIC's favor would be tantamount to invalidating the longstanding copyrights of such privately developed works as *A Uniform System of Citation* or West Publishing Company's case numbering system. Such a ruling would also be inconsistent with longstanding case law. *Educational Testing Service v. Katzman*, 793 F.2d 533, 540 (3d Cir. 1986) (upholding the ETS copyright even though the standardized test is a required entrance exam for many state schools); *West Publishing Co. v. Mead Data Central, Inc.*, 799 F.2d 1219 (8th Cir. 1986), *cert. denied*, 479 U.S. 1070 (1987) (required use of West numbering system for its reporters in the practice of law did not invalidate West's copyright). These private works, like the CPT, are required for use by the public, but such works have not themselves been enacted as law.

PMIC's position would undermine the official policies of the federal government to utilize private works. The Office of Management and Budget ("OMB") has directed federal agencies to adopt private works "whenever practicable and appropriate" thereby "eliminat[ing] . . . costs to the Government." Revision of OMB Circular No. A-119, Notice of Implementation, 58 Fed. Reg. 57643, 57644-57645 (October 26, 1993) (attached to the AMA's Moving Papers as Exhibit "A"). The OMB's stated policy provides:

> "Voluntary standards adopted by Federal agencies should be referenced, along with their dates of issuance and sources of availability, in appropriate publications, regulatory orders, and related in-house

> documents. Such adoption should take into account the requirements of copyright and other similar restrictions."

Id. Similarly, the Federal Communications Commission ("FCC") has adopted technical standards promulgated by the American National Standards Institute ("ANSI") which are set forth in a copyrighted publication of the Institute of Electrical and Electronics Engineers.[2] The Environmental Protection Agency also relies on standards promulgated and copyrighted by a private company, the American Society for Testing and Materials ("ASTM"). Declaration of Morris R. Brooke, at pp. 3-7.

The copyrights of privately developed works have been upheld and not ruled "laws" where the public has been required to use such work in governmental programs. *Rand McNally & Co. v. Fleet Management Systems, Inc.*, 591 F.Supp. 726, 736 (N.D.Ill. 1983) (upholding a copyright despite the federal government's use of a privately published distance guide as a tariff reference publication); *Del Madera Properties v. Rhodes and Gardner, Inc.*, 637 F.Supp. 262, 264 (N.D.Cal. 1985), *aff'd*, 820 F.2d 973 (9th Cir. 1987). The *Del Madera* Court found:

> "defendants argue that edicts of governments such as judicial opinions, administrative rulings, and legislative enactments are not copyrightable for reasons of public policy. 17 U.S.C. § 702 . . . In support of this argument, defendants rely on *Building Official & Code Administrators International, Inc. v. Code Technology, Inc.*, 628 F.2d 730 (1st Cir. 1980) . . . Defendants' 'governmental enactment'

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[2] The FCC requires communications companies to use Rand McNally's *Commercial Atlas & Marketing Guide* when conducting their operations in a given locality. FCC, Public Notice, Personal Communications Services Information (Sept. 22, 1994) (which acknowledges Rand McNally's copyright and the licensing agreement) (A copy of this document was attached to the AMA's moving papers as Exhibit "E").

> argument is unpersuasive. There is no basis for a holding that the Tentative Map is an administrative ruling, legislative enactment, or similar official document. Unlike the building code at issue in *Code Technology*, the Map is not a self-executing ordinance. The analogous enactment consists of Resolution 1165 that approved the Tentative Map. The Map itself was merely approved and was not transformed by this act into law."

637 F.Supp. at 264. Similarly, the *Rand McNally* court held:

> "The law in this area is old and well-settled. It has remained limited to statutes and opinions promulgated by government officials for general application. No great expansions in scope have occurred since the major decisions of the late 1890's. The court sees no reason to extend this body of law to a privately published distance guide that is used as a tariff reference publication."

591 F.Supp. at 736. Thus, a federal agency's incorporation of a privately developed reference work as required use when participating in a government program does not destroy the copyright for that work. *Del Madera*, 637 F.Supp. at 264; *Rand McNally*, 591 F.Supp. at 735-736.

The *Code Technology* and *NADA Services Corp. v. CCC Information Services, Inc.* ("*NADA*") cases cited by PMIC are inapposite. *NADA*, 1991 U.S. Dist. LEXIS 18874 (N.D.Ill. 1991).[3] The *Code Technology* case involved a privately developed building code that the state of Massachusetts adopted as a set of administrative regulations. 628 F.2d at 731. Because that building code pro-

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[3] As this Court noted in its July 25 Order, the *NADA* case is distinguishable because this matter was not decided on the merits regarding the copyright misuse claim. The *NADA* court merely denied the motion for preliminary injunction. July 25 Order, at p. 11, n. 2.

vided for self-executing guidelines and violations of these guidelines could lead to sanctions, the *Code Technology* court held that the subject building code was not entitled to copyright protection. 628 F.2d at 734. Unlike the *Code Technology* building code, the CPT does not have self-executing guidelines and there is no provision for sanctions. Further, the Agreement provides that the HCFA may terminate its agreement with the AMA and discontinue use of the CPT upon 90 days written notice. Agreement, ¶ 10. Thus, the legislature need not take any formal legal action to repeal the CPT to cease the use of the CPT for reporting purposes, as required with a "law".

Del Madera is directly on point with this case. Like *Del Madera*, the CPT is not a self-executing ordinance. The CPT is a reference book with descriptions of medical procedures and corresponding numerical codes. In essence, the CPT is used to facilitate the procedural implementation of a federal law, but the CPT does not affect nor alter any physician's substantive rights. The CPT does not prescribe the conditions under which a particular medical service is subject to reimbursement. The federal government does not have to repeal a statute or ordinance to cease using the CPT for Medicaid or Medicare reporting. The HCFA need only give the AMA 90 days written notice of termination of the Agreement. The CPT does not sound like, look like nor act like a law.

The HCFA recognized that the AMA's copyright must be preserved "to ensure both that CPT would be maintained in a consistent and reliable form for the foreseeable future and that it would be updated in a timely manner." Brown Decl., ¶ 6. The Agreement specifically acknowledges the validity of the AMA's copyright in the CPT and the HCFA's intention not to destroy that copyright by utilizing the medical coding system provided in that private work. Agreement, ¶ 3(c).

This Court notes that public policy concerns also militate against PMIC's position that the CPT is a law and

is therefore invalid. PMIC's position would amount to an unlawful taking of private property. Under PMIC's position, the government could adopt any portion of a private copyrighted work for any purpose and at any time, and the copyright would be invalidated. Such a scenario would have a complete chilling effect upon private industry. Private industry would have no incentive to spend enormous sums on research and development knowing that the government could at any time incorporate such work. Brooke Decl., ¶¶ 7-8, 10. Under this reasoning, the public would also suffer because the government would be required to invest vast tax dollars to research areas which in the past the government has had the ability to utilize the private sector's advancements.

In essence, PMIC merely seeks to plagiarize the private work of the AMA without compensating the AMA for its copyright. PMIC is not entitled to do so. Based upon the foregoing, this Court rejects PMIC's claim that the AMA consented to the government's adoption of the CPT as law and finds that the CPT is not a "law", the CPT is entitled to copyright protection, and grants the AMA's Motion for Summary Judgment on this ground.

3. *PMIC's Position Would Amount To An Unlawful Taking.*

This Court has already ruled that destruction of the AMA's copyright in the CPT would amount to an unlawful taking of the AMA's property. July 25 Order, at p. 10. This Court specifically found that:

> "PMIC has failed to sufficiently rebut the AMA's takings argument. As the AMA points out, '[a]n interest in a copyright is a property right protected by the due process and just compensation clauses of the Constitution.' *See* Opposition at 14-15; *Roth v. Pritikin*, 710 F.2d 934, 939 (2d Cir.), *cert. denied*, 493 U.S. 961 (1983). This Court is unwilling to hold, at this time, that the AMA somehow waived

> its property rights in the CPT by encouraging the government to adopt the CPT as the industry standard for obtaining reimbursement for various medical procedures."

Id. As noted in Section 2 *supra*, PMIC's position would amount to a full scale taking of thousands of copyrights by the federal government and would subject the government to millions of dollars in just compensation awards. The *Roth* court noted that:

> "the spectre of a constitutional issue concerning the proper application of the 'takings clause' . . . is sufficient cause to construe the statute" to avoid reaching issues under the Takings Clause."

710 F.2d at 939. There is more than ample evidence before this Court which indicates that the Takings Clause of the Constitution would be violated if the Court were to adopt PMIC's position. Therefore, this Court again finds that PMIC has failed to rebut the AMA's takings argument.

4. *PMIC's Copyright Misuse Claim Is Without Merit.*

PMIC contends that the AMA has misused its copyright in the CPT by violating the Clayton Act through its exclusive dealing arrangement with the HCFA. PMIC also contends that the AMA's conduct constitutes copyright misuse by analogy to the antitrust laws. This Court disagrees. Although this Court acknowledges that some courts have recognized the copyright misuse claim (*Broadcast Music, Inc. v. Hearst/ABC Viacom Entertainment Servs.*, 746 F.Supp. 320 (S.D.N.Y. 1990)), this Court finds that the undisputed facts demonstrate that the Agreement does not amount to copyright misuse. This Court previously ruled that the PMIC failed to show sufficient evidence of copyright misuse. July 25 Order, at pp. 15-16. This Court also previously distinguished the *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970 (4th Cir.

1990) case so heavily relied upon by PMIC again in its present opposition and cross-motion.[4]

PMIC has failed to provide this Court with any new or persuasive evidence to support its copyright misuse claim. The law and undisputed facts before this Court demonstrate that the Agreement does not violate public policy and does not constitute copyright misuse. The Agreement is freely terminable upon 90 days written notice; the HCFA on its own initiative sought a single

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[4] The other cases cited by PMIC on its copyright misuse argument are also distinguishable from the present case. *Saturday Evening Post Co. v. Rumbleseat Press, Inc.*, 816 F.2d 1191, 1200 (7th Cir. 1987) (the court denied a copyright misuse claim for failure to prove a violation of antitrust law and noting that there is less danger of monopoly in the copyright context than in the patent arena); *National Cable Television Association, Inc. v. Broadcast Music, Inc.*, 772 F.Supp. 614, 652 (D.D.C. 1991) (where court held that the infringers failed to prove any violation of the antitrust laws or that the patentee somehow illegally extended its monopoly or violated the public policy underlying the copyright law to establish patent misuse. The court noted that "any anticompetitive effects" engendered by the patentee "are outweighed by the beneficial effects" that promote the "important public purposes of the Copyright Act: the compensation of copyright proprietors for the public performances of their works."); *SenzaGel Corp. v. Seiffhart*, 803 F.2d 661, 668 (Fed. Cir. 1986) (involving a patentee whom the court assumed was requiring others to lease a non-patented machine to obtain a license to use a patent. Patentee failed to provide evidence that the machine was covered by the same patent, as alleged, and the court therefore construed the subject machine as unpatented and granted summary judgment against the patentee on the grounds of patent misuse); *Berlenbach v. Anderson and Thompson Ski Co., Inc.*, 329 F.2d 782, 784 (9th Cir.1964), *cert. denied*, 379 U.S. 830 (1964) (the court granted summary judgment on the patent misuse defense on the grounds that the patentee entered into a licensing agreement which also required the exclusive sales of non-patented items with patented items); *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100, 136-137 (1969) (the court granted an injunction finding patent misuse by a patentee who required payment of royalties whether or not a sale or the intended use involved a patented product).

national medical code for use in Medicare and Medicaid reimbursements; and the AMA did not coerce the HCFA to choose one code over others or to accept the AMA's royalty-free license to use the CPT. Brown Decl., ¶¶ 3, 6, 9. As a result, this Court finds that Agreement between the AMA and the HCFA does not constitute copyright misuse and *denies* PMIC's Cross-Motion for Summary Judgment on this ground and *grants* the AMA's Motion for Summary Judgment.

In granting the AMA's Motion for Summary Judgment as to the declaratory judgment claim for relief,[5] this Court does not reach the viability of PMIC's new claims for relief set forth in the First Supplemental Complaint.

IT IS SO ORDERED.

/s/ Dickran Tevrizian
DICKRAN TEVRIZIAN
Judge
United States District Court

Dated: 12-5-94

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[5] The AMA's and PMIC's motions for summary judgment were filed prior to the filing of the First Supplemental Complaint which stated eight new claims for relief.

APPENDIX C

[Filed Dec. 8, 1994]

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

Case No. CV 94-3107 DT (GHKx)

PRACTICE MANAGEMENT INFORMATION CORPORATION,
a California corporation,
Plaintiff-Counterdefendant,

vs.

AMERICAN MEDICAL ASSOCIATION,
an Illinois nonprofit corporation,
Defendants.

ORDER GRANTING DEFENDANT AMERICAN MEDICAL ASSOCIATION'S MOTION FOR PRELIMINARY INJUNCTION.

Background [1]

By Stipulation, plaintiff Practice Management Information Corporation ("PMIC") agreed not to reproduce, publish, distribute or release its own version of the reference work the *Physicians' Current Procedural Terminology* ("CPT") before the AMA's Motion for Partial Summary Judgment is heard on December 5, 1994. *See* Stipulation to Continue Hearing Date re AMA's Motion for Partial Summary Judgment, at pp. 1-2. PMIC previously indicated its intention to publish its own version of

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[1] A detailed factual background is set forth in this Court's Order granting defendant American Medical Association's Motion for Summary Judgment and denying Plaintiff Practice Management Information Corporation's Cross-Motion for Partial Summary Judgment and said background is incorporated herein by this reference.

the CPT with purported changes and corrections before December 31, 1994. Declaration of James B. Davis, ¶¶ 20, 35, filed in support of PMIC's Motion for Preliminary Injunction dated June 26, 1994, ¶¶ 20, 35.

2. *Procedural History.*

PMIC filed its original Complaint on May 12, 1994. PMIC filed a motion for preliminary injunction against the AMA to enjoin the AMA from enforcing any copyrights in the CPT. This motion for preliminary injunction was denied by this Court on July 25, 1994 on the grounds that the CPT was sufficiently original to entitle it to copyright protection. ("July 25 Order"). This Court rejected three of the four arguments presented by PMIC. The only issue left for determination was whether the federal government could destroy a valid copyright for a privately created reference book where the federal government then requires all physicians to use that reference book when participating in a federal program and seeking reimbursements. July 25 Order, at pp. 12-16.

On August 23, 1994, the parties signed a Stipulated Protective Order in which they agreed that certain evidence pertinent to this case may contain confidential or trade secret information and that such evidence or information would be designated as confidential.

On September 22, 1994 by Stipulation with PMIC, the AMA filed its Answer and Second Amended Counterclaim.

On October 21, 1994, the AMA filed a Motion for Partial Summary Judgment seeking a judgment that the federal government's requirement that physicians use the CPT when participating in a federal program does not destroy a valid copyright in a privately created reference work. This motion is now before this Court and is addressed in a separate order.

On November 7, 1994, PMIC filed its Cross-Motion for Summary Judgment of Copyright Invalidity. This

motion is also now before this Court and is addressed in a separate order along with the AMA's Motion for Summary Judgment.

On November 14, 1994, AMA filed the present Motion for Preliminary Injunction to enjoin PMIC from infringing on AMA's copyright in CPT, including the use of any portion of the CPT for sale with the AMA's express written authorization. This motion is presently before this Court.

On November 15, 1994, PMIC filed its First Supplemental Complaint by Stipulation with the AMA. The First Supplemental Complaint, in addition to the original request for declaratory judgment, also seeks monetary damages for statutory and common law unfair competition, intentional interference with contractual relationships, intentional interference with prospective economic advantage, false representation, specific performance, breach of contract and breach of the covenant of good faith and fair dealing. The First Supplemental Complaint does not appear to affect any of the motions presently before this Court.

Discussion

1. *Standard.*

The plaintiff is required to show that he will suffer irreparable injury and that he is likely to prevail on the merits. *Doran v. Salem Inn, Inc.*, 422 U.S. 922, 931 (1975); *Johnson Controls, Inc. v. Phoenix Control Syst., Inc.*, 886 F.2d 1173, 1174 (9th Cir. 1989). The *Johnson Control* court stated that where a party seeks to enforce its copyright, "a showing of a reasonable likelihood of success on the merits raises a presumption of irreparable harm." 886 F.2d at 1174; see also *Apple Computer, Inc. v. Franklin Computer Corp.*, 714 F.2d 1240, 1254 (3d cir. 1983), cert. dismissed, 464 U.S. 1033 (1984), where the court found a presumption of irreparable injury when evidence demonstrated a significant amount of time, effort and money were directed to the production of the

copyrighted material. Therefore, the moving party need only show a likelihood of success on the merits and need not also demonstrate the danger of irreparable harm. 3 M. Nimmer & D. Nimmer, *Nimmer on Copyright*, § 14.06[A], at pp. 14-85 to 14-86 (1994).

2. *The AMA Is Entitled to A Preliminary Injunction Against PMIC.*

PMIC contends that it will suffer extreme and irreparable harm if this motion is granted.[2] PMIC also contends that the AMA has not suffered any harm, the AMA's harm to the public claim is groundless and the AMA's delay in seeking injunctive relief bars the AMA's request. This Court disagrees.

The AMA is only required to demonstrate a likelihood of success on the merits to prevail on the present motion for preliminary injunction. As this Court has already determined with the AMA's Motion for Partial Summary Judgment, the AMA has a valid and enforceable copyright for the CPT. This Court has also determined in its lengthy order regarding the motion for partial summary judgment that (1) the AMA's copyright is not invalidated by the government's use of the designations set forth in the CPT; (2) the CPT is not a "law", as PMIC has argued at length, and (3) the CPT does not fall within the narrow exception of the Copyright Act for statutes and opinions.

In addition, this Court rejects PMIC's contention that this motion is untimely. The AMA has indicated that it seeks only to enjoin the copying and publication of any works incorporating portions of the 1995 CPT by PMIC. The 1995 CPT was published just two weeks ago. Therefore, this Court finds that this motion is timely.

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[2] PMIC also contends that the injunction sought is overbroad. This argument is now moot given the AMA's clarification that it does not seek to enjoin PMIC publications which do not copy or modify the 1995 CPT.

Finally, this Court has already determined that one source researching and updating the 1995 CPT best advances public policy. Order re the AMA's Motion for Summary Judgment, at p. 14-15, citing the Declaration of Judith Brown, ¶¶ 6-8. Allowing PMIC to modify and publish different versions of the 1995 CPT will greatly increase the AMA's own costs to verify and resolve conflicts in the PMIC's versions with the AMA's versions of the 1995 CPT to maintain the integrity of the 1995 CPT and its own reputation. Further, multiple modified versions of the 1995 CPT with different codes could confuse physicians and the government who rely on the accuracy and uniformity of the 1995 CPT and could substantially impair the reimbursement process. This Court rejects PMIC's suggestion that limited monetary damages in the realm of licensing fees will adequately compensate the AMA. This Court recognizes the enormous resources that are devoted to the research and development of private resource works like the CPT and the statutory damages to which a copyright holder is entitled. This Court also recognizes that multiple modified versions of the 1995 CPT could cause damage to the AMA's and the CPT's reputation.

Based upon this Court's findings, the AMA is entitled to a preliminary injunction against PMIC enjoining PMIC from reproducing the 1995 CPT or from publishing, distributing, releasing, modifying or conducting any other activity which infringes the AMA's copyright in the 1995 CPT. Therefore, this Court *grants* the AMA's Motion for Preliminary Injunction. This Order does not affect any other PMIC publications.

3. *The AMA Is Required To Post A Reasonable Bond.*

Rule 65(c) of the Federal Rules of Civil Procedure provides that this Court may prescribe a proper bond that will compensate a party who is wrongfully enjoined as a prerequisite for an injunction. PMIC has requested the

AMA be required to post a bond in the amount of $1,750,000. This Court finds this amount is excessive and unwarranted. A review of PMIC's figure demonstrates that $750,000 of that amount represents the sale of books which are not covered by the injunction requested herein. In addition, this Court cannot make a determination of the propriety of the remaining amount of this figure because PMIC has presented incompetent hearsay and conclusory evidence as the basis for this figure. This Court finds a reasonable *bond* in the amount of *$100,000* is justified and orders the AMA to post a bond in that amount *on or before 12:00 P.M., Friday, December 9, 1994*.

IT IS SO ORDERED.

/s/ Dickran Tevrizian
DICKRAN TEVRIZIAN,
Judge
United States District Court

Dated: Dec. 5, 1994

APPENDIX D

[Filed Dec. 23, 1997]

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

No. 94-56774
D.C. No. CV-94-03107-DT

PRACTICE MANAGEMENT INFORMATION CORPORATION,
a California Corporation,
Plaintiff-Appellant,

v.

THE AMERICAN MEDICAL ASSOCIATION,
an Illinois nonprofit corporation,
Defendant-Appellee.

ORDER

Before: BROWNING and REINHARDT, Circuit Judges

The panel has voted to deny the petition for rehearing and to reject the suggestion for rehearing en banc.

The full court has been advised of the suggestion for an en banc rehearing, and no judge of the court has requested a vote on the suggestion for rehearing en banc. Fed. R. App. P. 35(b).

The petition for rehearing is denied and the suggestion for rehearing en banc is rejected.

APPENDIX E

RELEVANT CONSTITUTIONAL AND STATUTORY PROVISIONS

U.S. Const. amend. I

Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people to peaceably assemble, and to petition the Government for a redress of grievances.

42 U.S.C. § 1395w-4(c)(5)

(5) Coding

The Secretary shall establish a uniform procedure coding system for the coding of all physicians' services. The Secretary shall provide for an appropriate coding structure for visits and consultations. The Secretary may incorporate the use of time in the coding for visits and consultations. The Secretary, in establishing such coding system, shall consult with the Physician Payment Review Commission and other organizations representing physicians.

35 U.S.C. § 271(d)

(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement.

17 U.S.C. § 107

§ 107. Limitations on exclusive rights: Fair use

Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—

(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;

(2) the nature of the copyrighted work;

(3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and

(4) the effect of the use upon the potential market for or value of the copyrighted work.

The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.

17 U.S.C. § 301

§ 301. Preemption with respect to other laws

(a) On and after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103, whether

created before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.

(b) Nothing in this title annuls or limits any rights or remedies under the common law or statutes of any State with respect to—

(1) subject matter that does not come within the subject matter of copyright as specified by sections 102 and 103, including works of authorship not fixed in any tangible medium of expression; or

(2) any cause of action arising from undertakings commenced before January 1, 1978;

(3) activities violating legal or equitable rights that are not equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106; or

(4) State and local landmarks, historic preservation, zoning, or building codes, relating to architectural works protected under section 102(a)(8).

(c) With respect to sound recordings fixed before February 15, 1972, any rights or remedies under the common law or statutes of any State shall not be annulled or limited by this title until February 15, 2047. The preemptive provisions of subsection (a) shall apply to any such rights and remedies pertaining to any cause of action arising from undertakings commenced on and after February 15, 2047. Notwithstanding the provisions of section 303, no sound recording fixed before February 15, 1972, shall be subject to copyright under this title before, on, or after February 15, 2047.

(d) Nothing in this title annuls or limits any rights or remedies under any other Federal statute.

(e) The scope of Federal preemption under this section is not affected by the adherence of the United States to the Berne Convention or the satisfaction of obligations of the United States thereunder.

(f)(1) On or after the effective date set forth in section 610(a) of the Visual Artists Rights Act of 1990, all legal or equitable rights that are equivalent to any of the rights conferred by section 106A with respect to works of visual art to which the rights conferred by section 106A apply are governed exclusively by section 106A and section 113(d) and the provisions of this title relating to such sections. Thereafter, no person is entitled to any such right or equivalent right in any work of visual art under the common law or statutes of any State.

(2) Nothing in paragraph (1) annuls or limits any rights or remedies under the common law or statutes of any State with respect to—

(A) any cause of action from undertakings commenced before the effective date set forth in section 610(a) of the Visual Artists Rights Act of 1990;

(B) activities violating legal or equitable rights that are not equivalent to any of the rights conferred by section 106A with respect to works of visual art; or

(C) activities violating legal or equitable rights which extend beyond the life of the author.